

Loan Repayment Program Frequently Asked Questions

The Loan Repayment Program (LRP) is one of several NAVY enlistment education incentive programs offered.

Q1. How does the repayment cycle work and when will repayments on my loans begin?

Before repayments under the LRP can begin, the NAVY RECRUITING COMMAND (NRC) must receive:

1. loan verification information from the Recruit (borrower) and
2. current loan holders.

In order to obtain this information, Recruiters/Classifiers will provide the new Recruit with an LRP packet that contains a DD Form 2475. This form must be filled out in part by the LRP Recruit and then by the loan holder. The loan holder(s) must then return the completed form to the new Recruit. The Recruiter and/or Classifier assisting the Recruit will forward the completed application to Navy Recruiting Command. Only after NRC has received all completed forms and verified that the loan(s) qualify for LRP will authorization for repayment be given. Updated forms are located on the NRC quarterdeck.

After the required paperwork has been received, and the loans have been verified as eligible for LRP, NRC will enter the new Recruit into the LRP database.

Under LRP, the NAVY will repay 33 1/3 percent or \$1,500 per year, whichever amount is greater, after the Recruit's successful completion of each year on active duty. The total maximum amount that the NAVY will repay under LRP is \$65,000.

The first LRP payment is eligible after the first year of active duty service. The Sailor is required to submit annual DD 2475's to NRC in order to trigger the payments.

It is always the responsibility of the LRP participant to ensure that NRC receives the completed DD Forms 2475 from all current loan holders on all eligible loans.

Q2. What loans qualify for repayment under the Loan Repayment Program?

Loans which qualify for the LRP include those which are made, insured, or guaranteed under Part B (Federal Family Education Loan Program); Part D (William D. Ford Direct Loan Program); or Part E (Federal Perkins Loans) of the Higher Education Act of 1965. These loans also must have been acquired prior to entry on active duty. The types of loans that qualify for the LRP are:

- Federally Insured Student Loans
- Subsidized or Unsubsidized Stafford Loans
- National Direct Student Loans or Perkins Loans
- Consolidated Loans (only loans incurred for the use of the individual contracting for the LRP)
- Parent Loans for Undergraduate Students (PLUS) loans incurred for the use of the individual contracting for LRP.

If you are unsure about the loan “type” or name, please contact your lender for clarification on loan eligibility.

Q3. What are the names of nonqualifying loans?

Non-Eligible Loans are credit based. These are Signature, Private, Alternative, or whatever. If in doubt, call the lender and ask “Is this loan a Title IV loan?”

Q4. What are my responsibilities as a LRP participant?

It is important to remember that the NAVY never assumes your loan(s) under the LRP. You always remain responsible for the status of your loan(s) and you must always keep your loan(s) in good standing. The NAVY will NOT pay on loans that are in default. You must ensure that NRC receives the completed LRP verification paperwork (DD Form 2475) back from your loan holders so that NRC can initiate the repayment process.

DD Form 2475 (Effective NOV2006) has 4 parts. Part 1 is to be filled out by the Sailor and signed by someone in the Sailor’s chain of Command (Block 1 (b) (2)). The Command address should be put in block 1(a). Part 2 is self explanatory. Part 3 is filled out by the recruit/Sailor. The recruit/Sailor should call the lender if there are any questions. Part 4 is filled out by the lender. The lender returns the form to the address listed in Part 1 Block 1 (a).

FAX completed DD 2475’s to 901-874-9327 and ask for email confirmation. Phone confirmations are not the best avenue to utilize when seeking confirmation. We match your Enlistment Guarantee’s (Annex to DD 4/NAVCRUIT 1133-52), the Statement of Understanding (NAVCRUIT 1133-75), the Promissory Notes with the applicants name as the borrower, and the previously completed DD 2475’s before requesting a payment from DFAS Cleveland. If we don’t have all these forms, we can’t schedule a payment.

Q5. What is a loan deferment or forbearance and how do I obtain one?

In some cases a student loan deferment will stop interest from accruing (which the NAVY will not repay under LRP).

A forbearance will stop payments from coming due on a student loan, however interest will continue to accrue. As of 1 Jul 95, in accordance with the Federal Register (34 CFR

682.211 (h) (ii) (B), Mandatory Forbearances), loan holders are required to forbear any and all student loans that are on student loan repayment programs administered by the Department of Defense (U.S. Code Title 10, Section 2171).

It is, however, the borrower's responsibility to promptly contact the loan holder and apprise the agency of one's active duty status and officially initiate the request for forbearance. A deferment or forbearance will prevent a loan from going into a state of delinquency or default. If a loan holder is requiring the borrower to begin making repayments, then it is the borrower's responsibility to officially request either a deferment or forbearance.

Conditions under which a deferment or forbearance are obtained are handled exclusively between the borrower and the loan holder. It is always the borrower's responsibility to effect the official request and then to ensure that the deferment or forbearance has been obtained. Paperwork for deferment or forbearance must be obtained from the lender and the Recruit must ensure the paperwork is taken care of and is kept up-to-date.

The U.S. NAVY does not assume an individual's loan. The individual remains responsible for payment and the status of the loan. Public Law 99-145, Section 671(a)(1), precludes the authorization of payments toward interest. Likewise, reimbursement of payments already made is prohibited.

Q6. How much will be repaid on my student loans?

Payment of 33-1/3 percent or \$1,500, whichever is greater, on the total remaining original unpaid principal balance, after each completed year of active duty up to \$65,000 as February 4, 1997).

National Call to Service participants get a lump sum payment at the end of their first term enlistment, which is usually 22 months after going to boot camp.

Q7. Is the Loan Repayment Program taxable?

Yes, payments made under the LRP are considered by the IRS as taxable income in the year they are paid.

Service member whose lenders have received a payment will receive a W-2 from DFAS. It will not be identified on your regular base pay W-2 and you can not get them on the MYPAY website. Up to 25-30% of the LRP payment will be withheld, so it is important that you file your income taxes with this W-2. Since payments are considered as income, this withholding will avoid you facing a large tax bill at the end of the year. In general you will receive a refund from the IRS.

For example, \$2,500 will be withheld from a \$10,000 payment. Potentially you could get all that money back from the IRS and make a payment on your student loans.

A separate Statement of Amount Paid (W-2) should be provided to an individual at tax year-end by Defense Finance and Accounting Services (DFAS) - Indianapolis Center. If the W-2 has not been received for the LRP, please contact DFAS at 1-888-DFAS411, and clearly explain to them that you are missing a W-2 for the Loan Repayment Program. The customer service representative may not know what LRP is. If this is the case, please ask to speak with a more senior customer representative who will probably be familiar with the program. You may also send them an email at <https://corpweb1.dfas.mil/askDFAS/custQueriesInputPart1.jsp>.

Loan repayments will be made directly to lender less federal and state taxes. Service members will get an IRS W-2 mailed to their commands from DFAS Cleveland each January for tax filing purposes.

Q8. Are defaulted loans eligible for payment under the Loan Repayment Program?

The NAVY will not repay loans or portions of loans in default, delinquent payments, interest, or associated charges.

Q9. What if I do not know where my loans are or who the current loan holder is?

The U.S. Department of Education can help you track your student loans as well as obtain copies of your promissory notes. You can reach them at this telephone number: 1 (800) 433-3243 or on the Internet at <http://www.ed.gov>

Q10. What else should I know as a Loan Repayment Program participant?

The NAVY will only repay the remaining original (verified) unpaid principal on your qualifying loan(s). Interest (even if it has been re-capitalized into principal) will not be repaid. Additionally, payments made under the LRP are considered as taxable income in the year(s) that payments are made. Furthermore, you will not be reimbursed for any payments you have already made on your loans.

If a LRP participant does not fulfill his/her enlistment obligation, by separating from the service early, then he/she will forfeit/ lose his/her eligibility for LRP. There are some exceptions to this early separation rule. Individuals who separate early, but only after completing at least one year on active duty, may be eligible for prorated LRP payments if the reason for separation was for physical disability, hardship or for certain convenience of the government discharges (e.g., to enroll in Officer's Candidate's School or a Service Academy). In all cases of early separation, LRP participants must provide to NRC a copy of their DD Form 214 (Member 4 Copy), which is their discharge paperwork. The DD 214 will be reviewed in order to determine if further or prorated repayment would be authorized.

Navy Recruiting Command (N5312) doesn't sign DD 2475's, doesn't handle deferments, forbearance, or contact lenders.

Q11. Whom do I contact if I have any questions about the Loan Repayment Program?

Address all questions to Navy Recruiting Command. Go to our web site at www.cnrc.navy.mil Select Enlistment Incentives then go to FAQ's. If your Q/A is not found, there is an email link at the bottom of page to use.

The Loan Repayment Program Manager at Navy Recruiting Command (NRC), number and address below, is responsible for administering the LRP and answering any questions on LRP policy and procedures. Here are the ways to contact the NRC:

NAVY RECRUITING COMMAND

Attn: LRP

5722 Integrity Drive Bldg. 874 (CodeN5312)

Millington, TN 38054

FAX 901.874.9327/ DSN : 882.9327

EMAIL: CNRC_LRP-EB@NAVY.MIL

Internet: [Loan Repayment Program Q/A](#)